

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 2551 – SB 2560

March 27, 2012

SUMMARY OF AMENDMENT (014261): Exempts from state and local sales tax any repair and refurbishment services, including components and parts, performed within Tennessee with respect to airplanes considered transport category aircraft, which have their situs outside of Tennessee and are removed from Tennessee within 15 days of the completion of such repair and refurbishment services, provided that such services are performed by an authorized service facility designated by an original equipment manufacturer.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact - \$336,700

Decrease Local Revenue - \$142,300

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 12, 2012, a fiscal memorandum was issued estimating a fiscal impact as follows:

Decrease State Revenue – Net Impact - \$67,300

Decrease Local Revenue - \$28,500

Due to incomplete information, this impact was in error. Based upon additional information provided by the Department of Revenue, the estimated impact is:

(CORRECTED)

Decrease State Revenue – Net Impact - \$13,500

Decrease Local Revenue - \$5,700


HB 2551 – SB 2560 (CORRECTED)

Assumptions applied to amendment:

- According to the Department of Revenue (DOR), there are 51 businesses in Tennessee considered as airplane repair facilities.
- DOR indicates that these businesses remitted \$3,529,178 in state sales and use tax for tax year 2011. This number is assumed to remain constant in subsequent years under current law.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- Under current law, total taxable sales are estimated to be \$50,416,829 ($\$3,529,178 / 7.0\%$).
- Fifty percent of taxable sales (or \$25,208,415) is for repairs.
- Twenty percent of taxable sales for repairs (or \$5,041,683) are repairs on out-of-state airplanes which are removed within the 15-day limitation.
- Four percent of taxable sales for repairs are repairs on out-of-state airplanes considered transport category aircraft (or \$201,667) which are removed within the 15-day limitation.
- The recurring decrease in state sales tax revenue is estimated to be \$14,117 ($\$201,667 \times 7.0\%$); the recurring decrease in local option sales tax revenue is estimated to be \$5,042 ($\$201,667 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The recurring decrease in local revenue pursuant to the state-shared allocation is estimated to be \$648 ($\$14,117 \times 4.5925\%$).
- The net recurring decrease in state revenue is estimated to be \$13,469 ($\$14,117 - \648).
- The total recurring decrease in local revenue is estimated to be \$5,690 ($\$5,042 + \648).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc